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SUBJECT: DOMINICA COMMERCIAL SNAPSHOT

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Summary

1. (SBU) Dominica has long been an undeveloped and underserved economy in the Caribbean, but projects in geothermal power and freshwater have the potential to attract business interest to the country. The American business community is small but growing, with interests in electricity, media, quarries, call centers, hotels and medical education. The current economic slowdown has so far had limited impact on Dominica as tourist dollars are mostly concentrated in cruise ship arrivals, and the country's small agricultural base has been largely unaffected by recent global woes. The government, meanwhile, has had only modest success at generating new investment and more economic activity. Dominica has the potential for growth, but more in spite of, rather than because of, government initiative. End summary.

Renewable Energy and Water

2. (U) Dominica is well positioned in the Caribbean with an abundance of two prime commodities -- alternative energy generation potential and freshwater. According to Vincent Philbert, the Permanent Secretary in the Ministry of Public Utilities, Energy and Ports, the EU and the French have completed feasibility studies for geothermal sites in the center and south of the country, with bidding to commence shortly to determine the developer. Philbert stated that there is a plan to build plants with a total generating capacity of 300 megawatts. With domestic usage of only 23 megawatts, they plan to sell 40-50 megawatts to each of the neighboring French dependencies (Departments) of Guadeloupe and Martinique. Philbert estimated the plants would cost US\$400 million to develop. At the same time, Bernard Ettinoffe, General Manager of the Dominica Water and Sewer Company (DOWASCO), Dominica has the potential to export 150 million gallons of fresh water daily (Reftel). With the lure of cheap energy and cheap water, some in Dominica's investment promotion sector see a potential on the island for significant export earnings as investors flock to a low-cost environment for manufacturers. At the same time, however, the Dominica Export-Import Agency is doing too little to help the economy, say critics. David Baron, the general manager of Paramount Printers, the owner of the country's largest newspaper, makes the common refrain that all DEXIA does is import rice and sugar, and does neither of those well.

The Yankees Are Coming!

13. (U) Tampa, Florida-based WRB Enterprises, with varied holdings in real estate, banking, telecommunications, water desalination and machinery sales, is building its portfolio in Dominica. Already it operates DOMLEC, the Dominica Electrical Utility (though the current contract has been a point of contention between WRB and the government for some time). WRB just added to its stake in Dominica with its acquisition of Marpin, the local cable company. According to the Vice President of WRB, Dominica is an area of great potential, especially in regards to renewable energy. The VP confirmed that DOMLEC generates about one-third to one half of its electrical output from hydropower, and is interested in expanding into geothermal energy.

14. (U) The most significant U.S. investment in Dominica is Ross University Medical School, a division of DeVry. Professor Louise Hawley, the Dean of the Department of Microbiology and Immunology and wife of the American Consular Warden, explained that Ross ranks among the most successful medical schools in terms of number of students in U.S. residency programs due to their large size. Ross is a favorite among government officials, both for its investment and for its economic multiplier effects from American students living in Dominica. Many local officials believe that enhanced technical education is an area of great need in the region, noting that very few technical workers have any formal training or certificates, and local education institutions do not place enough emphasis on non-academic training programs (i.e., technical and vocational training). DeVry, which also operates a veterinary school in St Kitts and is in the process of opening a Ross branch campus in the Bahamas, has experience in the region, and, as an expert in

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technical education, would be an ideal candidate to house an expanded vocational training center somewhere in the Eastern Caribbean, according to O'Donovan Yarde of the St. Lucia National Development Corporation. Minister of Education Sonia Williams assured poloffs that the existing contract with Ross would allow DeVry to expand in Dominica with relative ease.

15. (U) In addition to these two key players, The U.S. business community in Dominica represents a diverse set of interests. Dominica is marketing itself as the 'Nature Isle' of the Caribbean, and is supporting development of eco-lodges and holistic medicine centers. The American owners of Quantumleap and Rainforest Shangri-la, two rustic eco-resorts, have expanded in recent years, but claim they have had difficulty training staff on the particulars of the business. Another AmCit operator, the owner of Jungle Bay eco-resort, has seemingly overcome these issues, managing a lodge that has won several awards from international tourism concerns, not least the Conde Nast "World Saver" award.

16. (U) Clear Harbor, a U.S. firm that operates overseas call centers, has a facility employing 300 located just north of Roseau. According to company officials, they are planning to add 350 staff in the coming year and are looking at new islands in addition to their presence in Dominica, Grenada, and Nevis. Call centers are proving an increasingly attractive option for Caribbean countries to boost employment and diversify their economies away from tourism and offshore banking.

17. (U) While there is no formal American Chamber of Commerce operating in Dominica, the local Chamber of Commerce counts a number of U.S. firms on its membership rolls and has pledged to create a U.S. division to focus on the specific goals and concerns of the small but influential American business community here. According to Achille Joseph, the CEO of the chamber, there is a bit of frustration over non-tariff barriers to the U.S. market for food products in terms of extensive labeling and health requirements. Due to these issues, most local firms have given up on the U.S. market as being too complicated to pursue. According to Mr. Joseph, it

is also difficult to export agricultural products within the region, as transportation links are not suitable for moving perishable items.

Recession? What Recession?

18. (U) Unlike many of its neighbors, Dominica has been largely unaffected by the global recession as it is not a tourism-based economy. According to one local business leader, Francis Emanuel of Harris Paints, the major problems in the economy stem from the 5-year old loss of preferential access to the EU market for Dominican bananas -- a loss that is still causing a painful reorganization of the economy. Ironically, this adjustment has shielded the country somewhat from the current global recession. Dominica is still a largely rural, agriculture-based economy. The tourism business is a far smaller percentage of GDP than in neighboring countries, and focuses on serving the cruise business, which is holding steady as almost all the Caribbean cruise lines have a stop in Dominica. Overnight arrivals are hampered by the difficulty in getting to the island, the lack of any chain hotel, and that most hotels in country are small boutique hotels, with little ability to advertise widely. Invest Dominica has been attempting to secure a bigger piece of the tourism pie for the country, attempting to attract foreign investment in the tourism sector including hotels, restaurants and assorted industries. Rhoda Letang, Invest Dominica's executive director is trying to bring a large chain hotel in to the northeastern zone of the country, though so far without any luck.

COMMENT

19. (U) Dominica is underdeveloped and underserved in the global commercial system, and its government does not have the capacity at present to lead the way to dynamic growth, despite having many elements for sustainable development at hand. The slow pace of change from a banana-dominated economy has masked Dominica's potential to be a regional pioneer in clean energy, fresh water, and eco-tourism. Despite the challenges, a growing number of savvy U.S. firms are expanding to take advantage of the opportunities. If a critical mass of new projects can get off the ground, the

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future of the Dominican economy could be bright.
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